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Macroeconomic policy questions: commodities

Report of the Second Committee*

Rapporteur: Ms. Vanessa **Gomes** (Portugal)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/61/420, para. 2). Action on sub-item (d) was taken at the 12th, 13th, 32nd and 33rd meetings, on 12 and 17 October and 1 and 6 December 2006. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/61/SR.12, 13, 32 and 33).

II. Consideration of proposals

A. Draft resolutions A/C.2/61/L.2 and A/C.2/61/L.52

2. At the 12th meeting, on 12 October, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "International Year of Natural Fibres" (A/C.2/61/L.2), which read:

> "*The General Assembly*,
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> "*Noting* resolution 3/2005 of 25 November 2005 of the Conference of the Food and Agriculture Organization of the United Nations,
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> "*Noting also* that the diverse range of natural fibres produced in many countries provide an important source of income for farmers, and that natural fibres can play an important role in contributing to food security and in eradicating poverty and hence in contributing to the achievement of the Millennium Development Goals,

* The report of the Committee on this item will be issued in five parts, under the symbol A/61/420 and Add.1-4.

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"1. *Decides* to proclaim 2009 as the International Year of Natural Fibres;

"2. *Invites* the Food and Agriculture Organization of the United Nations to facilitate the observance of the International Year of Natural Fibres, in collaboration with Governments, regional and international organizations, non-governmental organizations and the private sector and relevant organizations of the United Nations system and further invites the Food and Agriculture Organization to keep the General Assembly informed of progress made in this regard;

"3. *Calls upon* Governments and relevant regional and international organizations to make voluntary contributions in accordance with the guidelines for international years and anniversaries as contained in the annex to Economic and Social Council resolution 1980/67 and to lend other forms of support to the International Year of Natural Fibres;

"4. *Invites* non-governmental organizations and the private sector to make voluntary contributions to and to support the International Year of Natural Fibres, in accordance with the guidelines of the Economic and Social Council;

"5. *Encourages* all Governments, the United Nations system and all other actors to take advantage of the International Year of Natural Fibres in order to increase awareness of the importance of these natural products."

3. At its 32nd meeting, on 1 December, the Committee had before it a draft resolution entitled "International Year of Natural Fibres" (A/C.2/61/L.52), submitted by the Rapporteur of the Committee, Vanessa Gomes (Portugal), on the basis of informal consultations held on draft resolution A/C.2/61/L.2.

4. At the same meeting, the Rapporteur orally corrected the draft resolution as follows:

(a) In operative paragraph 3, after the words "voluntary contributions", the words "in accordance with the guidelines for international years and anniversaries as contained in the annex of Economic and Social Council resolution 1980/67" were deleted;

(b) At the end of operative paragraph 4, the words "in accordance with the guidelines of the Economic and Social Council" were deleted.

5. Also at the same meeting, the Committee was informed that the draft resolution had no programme budget implications.

6. Also at its 32nd meeting, the Committee adopted draft resolution A/C.2/61/L.52, as orally corrected (see para. 15, draft resolution I).

7. In the light of the adoption of draft resolution A/C.2/61/L.52, draft resolution A/C.2/61/L.2 was withdrawn by its sponsors.

B. Draft resolutions A/C.2/61/L.7 and A/C.2/61/L.56

8. At the 13th meeting, on 17 October, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group

of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/61/L.7), which read:

"*The General Assembly*,

"*Recalling* resolution 59/224 of 22 December 2004 and stressing the urgent need to ensure its full implementation,

"*Recalling also* the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000, the 2005 World Summit Outcome adopted on 16 September 2005 and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

"*Recalling further* the International Conference on Financing for Development and its outcome,

"*Recalling* the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling also* the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and the outcome of the high-level meeting of the sixty-first session of the General Assembly on the midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, held in New York on 19 and 20 September 2006, and taking note of the *Least Developed Countries Report, 2004*,

"*Taking note* of the Arusha Declaration and Plan of Action on African Commodities, adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,

"*Taking note also* of the reports of the Trade and Development Board on its fifty-third session, held in Geneva from 27 September to 2 October and on 10 October 2006, and its twenty-third special session, held in Geneva from 8 to 11 May, from 12 to 15 June and from 3 to 10 October 2006,

"*Recognizing* that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and as the driving force of investment, economic growth and social development,

"*Deeply concerned* that, in spite of the recent increase in some commodity prices, the fundamental causes underlying the declining price trend have not been addressed, and that supply capacity problems and difficulties with effective participation in value chains also prevent many developing countries from obtaining full benefits from the current positive conditions,

"*Recognizing* that trade in commodities is a fundamental component of international trade,

"*Taking note* of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit and the

outcome document of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

"1. *Reiterates* the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing with diversification efforts in commodity-dependent developing countries;

"2. *Recalls* the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

"3. *Reaffirms* the commitments made in the Doha Ministerial Declaration, the Ministerial Declaration adopted at the Sixth Ministerial Conference of the World Trade Organization, held in Hong Kong, China, from 13 to 18 December 2005, and the decision of the General Council of the World Trade Organization of 1 August 2004 to fulfil the development dimensions of the Doha Development Agenda, which places the needs and interests of developing countries, particularly the least developed countries, at the heart of the Doha Work Programme and calls for the successful and timely completion of the Doha round of trade negotiations with the full realization of the development dimensions of the Doha Work Programme;

"4. *Expresses concern* over the suspension of the Doha round of trade negotiations, calls for their early resumption and successful development-oriented outcome adhering fully to the agreed mandate in the Doha Ministerial Declaration, the Framework adopted by the General Council of the World Trade Organization in its decision of 1 August 2004 and the Hong Kong Ministerial Declaration, in order to address, inter alia, the fundamental issue of the serious distortions in production and trade in agricultural products caused by the high levels of subsidies and protection provided by many developed countries;

"5. *Calls upon* developed countries that have not already done so to work towards the objective of providing duty-free and quota-free market access for all least developed country products, and encourages developing countries in a position to do so to contribute to improved market access for the least developed countries;

"6. *Calls upon* the international community to address the lack of competitiveness with respect to trade in commodities and to implement measures necessary to improve livelihoods and food security in commodity-dependent developing countries;

"7. *Stresses* that the adoption or enforcement of any measures necessary to protect human, animal or plant life or health should not be applied in a manner that would constitute arbitrary and abusive use of non-tariff measures, non-trade barriers or other standards to unfairly restrict access of developing countries' products to developed countries' markets, reaffirms in this regard that developing countries should play an increasing role in the formulation of, inter alia, safety, environment and health standards, and recognizes the need to facilitate the increased and meaningful participation of developing countries in the work of relevant international standard-setting organization;

"8. *Calls for* capacity-building support by relevant international organizations, by developed countries and by the enterprise sector in the context of corporate social responsibility programmes, to enable developing countries to put in place measures that are appropriate and necessary for meeting standards and other market requirements, and invites the relevant intergovernmental organizations to establish procedures for elaborating product and process standards that take into account the interests and capabilities of developing countries;

"9. *Invites* international financial organizations, other donors and the United Nations Conference on Trade and Development to revisit the operational modalities of international commodity, finance and risk management facilities, including compensatory schemes;

"10. *Stresses* that technical assistance and capacity-building aimed at improving competitiveness of commodity producers is particularly important and calls upon the donor community to increase resources for commodity-specific, financial and technical assistance, particularly for capacity-building of developing countries, with a view to enhancing their commodity trade and development;

"11. *Emphasizes* the importance of official development assistance for agriculture and rural development, and in this regard urges developed countries to reinforce their assistance in those sectors and to increase their financial and technical support for activities aimed at addressing commodity issues, in particular the needs and problems of commodity-dependent developing countries;

"12. *Invites* developing countries, in cooperation with developed countries and relevant international organizations, to establish medium- and long-term commodity development programmes geared towards enhancing research for product diversification, and improving production, productivity, value addition and competitiveness of developing countries' commodities;

"13. *Underlines* the need to strengthen the Common Fund for Commodities and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

"14. *Recognizes* that developed countries account for two thirds of non-fuel commodity imports and stresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent price-formation mechanisms, including commodity exchanges, and to facilitate the use of viable and effective commodity price risk management instruments;

"15. *Calls upon* developed countries, the United Nations Conference on Trade and Development and other relevant international organizations to

support training and awareness-building programmes on the functioning of commodity exchanges and their use, in a development-oriented manner, in supporting small farmers and in supporting capacity-building programmes in developing countries;

"16. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus, adopted by the Conference at its eleventh session, and in this regard invites the developed countries to provide the resources required to enable the Conference to undertake these activities;

"17. *Expresses concern* that the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development has not entered into force owing to the absence of financial support from Member States and calls upon all stakeholders to provide the required financial support for the timely establishment of the Task Force;

"18. *Requests* the Secretary-General of the United Nations, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit a report with recommendations on the implementation of the present resolution, and to report on world commodity trends and prospects, to the General Assembly at its sixty-second session;

"19. *Decides* to include in the provisional agenda of its sixty-second session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'Commodities'."

9. At its 33rd meeting, on 6 December, the Committee had before it a draft resolution entitled "Commodities" (A/C.2/61/L.56), submitted by the Rapporteur on the basis of informal consultations held on draft resolution A/C.2/61/L.7.

10. At the same meeting, the Rapporteur orally corrected the fifth preambular paragraph of the draft resolution by replacing the words "Declaration of the high-level meeting" with the words "outcome of the high-level meeting".

11. Also at the same meeting, the Committee was informed that the draft resolution had no programme budget implications.

12. Also at its 33rd meeting, the Committee adopted draft resolution A/C.2/61/L.56, as orally corrected (see para. 15, draft resolution II).

13. In the light of the adoption of draft resolution A/C.2/61/L.56, draft resolution A/C.2/61/L.7 was withdrawn by its sponsors.

14. After the adoption of the draft resolution, statements were made by the representatives of the United States of America and the Republic of Korea (see A/C.2/61/SR.33).

III. Recommendation of the Second Committee

15. The Second Committee recommends to the General Assembly the adoption of the following draft resolutions:

Draft resolution I
International Year of Natural Fibres

The General Assembly,

Noting resolution 3/2005 of 25 November 2005 of the Conference of the Food and Agriculture Organization of the United Nations,

Noting also that the diverse range of natural fibres produced in many countries provides an important source of income for farmers, and thus can play an important role in contributing to food security and in eradicating poverty and hence in contributing to the achievement of the Millennium Development Goals,

1. *Decides* to proclaim 2009 the International Year of Natural Fibres;

2. *Invites* the Food and Agriculture Organization of the United Nations to facilitate the observance of the Year, in collaboration with Governments, regional and international organizations, non-governmental organizations, the private sector and relevant organizations of the United Nations system, and also invites the Food and Agriculture Organization of the United Nations to keep the General Assembly informed of progress made in this regard;

3. *Calls upon* Governments and relevant regional and international organizations to make voluntary contributions and to lend other forms of support to the Year;

4. *Invites* non-governmental organizations and the private sector to make voluntary contributions to and to support the Year;

5. *Encourages* all Governments, the United Nations system and all other actors to take advantage of the Year in order to increase awareness of the importance of these natural products.

Draft resolution II
Commodities

The General Assembly,

Recalling its resolution 59/224 of 22 December 2004, and stressing the urgent need to ensure its full implementation,

Recalling also the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000,[1] the 2005 World Summit Outcome adopted on 16 September 2005[2] and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals, and the other internationally agreed development goals,

Recalling further the International Conference on Financing for Development and its outcome,[3]

Recalling the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[4]

Recalling also the Programme of Action for the Least Developed Countries for the Decade 2001-2010[5] and the outcome of the high-level meeting of the sixty-first session of the General Assembly on the midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, held in New York on 18 and 19 September 2006,[6] and taking note of the *Least Developed Countries Report, 2004*,[7]

Taking note of the Arusha Declaration and Plan of Action on African Commodities,[8] adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,[9]

Taking note also of the reports of the Trade and Development Board on its fifty-third session, held in Geneva from 27 September to 2 October and on 10 October 2006,[10] and its twenty-third special session, held in Geneva from 8 to 11 May, from 12 to 15 June and from 3 to 10 October 2006,[11]

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[1] See resolution 55/2.

[2] See resolution 60/1.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[4] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[5] A/CONF.191/13, chap. II.

[6] See resolution 61/1.

[7] United Nations publication, Sales No. E.04.II.D.27.

[8] African Union, document AU/Min/Com/Decl.

[9] See A/60/693, annex II, decision EX.CL/Dec.253 (VIII).

[10] TD/B/53/8 (vol. I).

[11] TD/B(S-XXIII)/4, 5 and 7 (vol. I).

Recognizing that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and as the driving force of investment, economic growth and social development,

Deeply concerned that, despite the recent increase in some commodity prices, the causes underlying the declining price trend in other commodities have not been addressed, including supply capacity problems, difficulties with effective participation in value chains and lack of diversification of their production and export base, all of which prevent many developing countries from obtaining full benefits from the current positive conditions,

Recognizing that trade in commodities is a fundamental component of international trade,

Taking note of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit[12] and the outcome document of the World Food Summit: five years later,[13] which reaffirms the pledge to end hunger and poverty,

1. *Reiterates* the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing with diversification efforts in commodity-dependent developing countries;

2. *Recalls* the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

3. *Recognizes* that developed countries account for two thirds of non-fuel commodity imports, and expresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent mechanisms, including commodity exchanges;

4. *Reiterates* the importance of expanded South-South trade and investment in commodities;

5. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourages diversification and liberalization of the trade and export sectors and enhance competitiveness;

6. *Reaffirms* that each country has primary responsibility for its own economic and social development, and recognizes that an effective enabling environment at the national and international levels entails, inter alia, a sound macroeconomic framework, competitive markets, clearly defined property rights, an attractive investment climate, good governance, the absence of corruption and well-designed regulatory policies that protect the public interest and generate public confidence in market operations;

[12] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit, 13-17 November 1996* (WFS 96/REP), part one, appendix.

[13] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit: five years later, 10-13 June 2002*, part one, appendix; see also A/57/499, annex.

7. *Also reaffirms* the commitments made in the Doha Ministerial Declaration,[14] the Hong Kong Ministerial Declaration[15] and the decision of the General Council of the World Trade Organization of 1 August 2004[16] to meaningfully integrate the developing and the least developed countries into the multilateral trading system, and calls for the successful and timely completion of the Doha round of trade negotiations with the full realization of the development dimensions of the Doha work programme;

8. *Expresses concern* over the suspension of the Doha round of trade negotiations, and calls for their early resumption and successful development-oriented outcome adhering fully to the agreed mandate in the Doha Ministerial Declaration, the Framework adopted by the General Council of the World Trade Organization in its decision of 1 August 2004 and the Hong Kong Ministerial Declaration;

9. *Calls upon* developed countries and developing countries declaring themselves in a position to do so to provide duty-free and quota-free market access on a lasting basis for all products originating from all least developed countries, consistent with the Hong Kong Ministerial Declaration;

10. *Encourages* developing countries, with the necessary support of donor countries and the international community, to formulate specific commodity policies so as to contribute to the facilitation of trade expansion, the reduction of vulnerability and the improvement of livelihood and food security, by:

(a) Creating an enabling environment that encourages the participation of rural producers and small farmers;

(b) Continuing the diversification of the commodity sector and enhancing its competitiveness in developing countries that are heavily dependent on commodities;

(c) Increasing technology development and improving information systems, institutions and human resources;

11. *Stresses* that the adoption or enforcement of any measures necessary to protect human, animal or plant life or health should not be applied in a manner that would constitute arbitrary or unjustifiable use of non-tariff measures, non-trade barriers or other standards to unfairly restrict access of developing countries' products, reaffirms in this regard that developing countries should play an increasing role in the formulation of, inter alia, safety, environmental and health standards, and recognizes the need to facilitate the increased and meaningful participation of developing countries in the work of relevant international standard-setting organizations;

12. *Calls for* capacity-building support by the relevant international organizations and developed countries, encourages the private sector, in the context of corporate responsibility and accountability as well as responsible business practices, to enable developing countries to put in place measures that are appropriate and necessary for meeting market requirements and standards, inter alia, quality control standards, and invites the relevant intergovernmental organizations to establish procedures for elaborating product and process standards that take into

[14] See A/C.2/56/7, annex.

[15] World Trade Organization, document WT/MIN(05)/DEC.

[16] World Trade Organization, document WT/L/579.

account the interests and capabilities of developing countries without jeopardizing the legitimate objective for developed as well as developing countries of protecting human, animal and plant life or health consistent with the General Agreement on Tariffs and Trade and the relevant agreements of the World Trade Organization;

13. *Invites* international financial organizations, other donors and the United Nations Conference on Trade and Development to revisit the operational modalities of international commodity, as well as to consider finance and risk management facilities and programmes;

14. *Stresses* that technical assistance and capacity-building aimed at improving the competitiveness of commodity producers is particularly important, and urges the donor community to increase resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

15. *Emphasizes* the importance of official development assistance for agriculture and rural development, and in this regard calls upon the donor community to reinforce its assistance in those sectors, and to increase its financial and technical support for activities aimed at addressing commodity issues, in particular the needs and problems of commodity-dependent developing countries;

16. *Invites* developing countries, in cooperation with developed countries and relevant international organizations, to establish medium and long-term commodity development programmes geared towards enhancing research for product diversification and improving the production, productivity, value addition and competitiveness of developing countries' commodities;

17. *Underlines* the need to strengthen the Common Fund for Commodities, and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

18. *Calls upon* developed countries, the United Nations Conference on Trade and Development and other relevant international organizations to support training and awareness-building programmes on the functioning of commodity exchanges and their use, in a development-oriented manner, in supporting and enabling small farmers and in supporting capacity-building programmes in developing countries in accordance with national development plans;

19. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus, adopted by the Conference at its eleventh session,[17] and in

[17] TD/412, part II.

this regard calls upon the donor community to provide the resources required to enable the Conference to undertake these activities;

20. *Expresses concern* that the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development has not yet entered into force, and calls upon interested stakeholders to provide voluntary financial support for the timely establishment of the Task Force;

21. *Requests* the Secretary-General of the United Nations, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit a report with recommendations on the implementation of the present resolution and to report on world commodity trends and prospects to the General Assembly at its sixty-third session;

22. *Decides* to include in the provisional agenda of its sixty-third session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "Commodities".